

ZZ Cinema

Topic: Internal Control (Segregation of Duties)

Characters: John, Manager of Theatre Franchise
William, Assistant Manager of Theatre
Diana, Staff Accountant of Franchise
Jodi, Ticket seller and cashier
Bob, Doorman

Diana is a college graduate with accounting as her major and is planning to take the CPA exam. She recently accepted the Staff Accountant's position with the ZZ Cinema Franchise. There are 20 theatres that are owned by the Franchise in a widely spread geographic area.

John is manager of all the locations of the theatre franchise and William, distantly related to him, is the Assistant Manager working solely at his location. Jodi sells tickets from a glass cage and collects the cash from patrons. At the end of the last show, he adds up the cash receipts, reconciles his sales and hands over unsold tickets and cash to William. Bob, the doorman, collects the tickets from incoming patrons, tears the tickets into two, hands over one to the patron and drops the second half into a little locked box which William picks up at the end of the day. William prepares the bank deposit slip, deposits the cash in the bank, and keeps the bank receipts and the unsold tickets in the office safe to which he has the only key. William also prepares the bank reconciliation statements and submits weekly sales reports to Diana.

Of late, William has volunteered quite frequently to speed up ticket sales on crowded days by working Jodi's station at the sales counter. John has not objected to this practice. During the past month William has been seen driving a fancy new Lexus to work and seen dining with an attractive blond at the town's expensive restaurants. Diana finds from William's reports that sales have shown no change from previous weeks, even though there appears to be an obvious and significant increase in movie theatre attendance during the summer season. This puzzles Diana, who suspects this apparent discrepancy is being pocketed by William. More puzzling, why hasn't John also noticed this problem? Diana wonders if she should report her suspicions to someone in authority. After all, she has no proof. More importantly, should she go to John? He might be involved in this possible scam. What should she do?

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